

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2007 AND 2006

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA

TABLE OF CONTENTS

	<u>PAGE</u>
Officials	1
Independent Auditors' Report	2 - 3
Management's Discussion and Analysis	4 - 8
BASIC FINANCIAL STATEMENTS:	
Statements of Net Assets	10
Statements of Revenues and Expenses	11 - 12
Statements of Changes in Net Assets	13
Statements of Cash Flows	14 - 15
Notes to Financial Statements	16 - 30
Independent Auditors' Report on Internal Control Over Financial Reporting on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	32 - 34
Schedule of Findings	35 - 39

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>
Ken Slater	Chairman	Cherokee
Chuck Lindgren	Vice-Chairman	Aurelia Until 12/31/06
Roger Smith	Vice-Chairman (As Of 1/1/07)	Meriden
Kendall Henkel	Board Member	Aurelia Started 1/1/07
Bud Clow	Board Member	Cherokee County
Les Pederson	Board Member	Cleghorn
Dan James	Board Member	Larrabee
Steve Galigan	Board Member	Marcus
Tim Preuss	Board Member	Quimby
Don Parrott	Board Member	Washta
Don Pitts	Manager	
Julie Mugge	Assistant Manager	
John Loughlin, Jr.	Attorney	

INDEPENDENT AUDITORS' REPORT

To the Members of
Cherokee County Solid Waste Commission

We have audited the accompanying financial statements of Cherokee County Solid Waste Commission, as of and for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statements presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cherokee County Solid Waste Commission as of June 30, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2007 on our consideration of the Cherokee County Solid Waste Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

BURKHARDT & DAWSON, CPA's

Certified Public Accountants

September 24, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cherokee County Solid Waste Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- * The Commission's operating revenues decreased 5.4% or \$74,609, from fiscal 2006 to fiscal 2007. County fees, individual, and recycling sales decreased. City fees, commercial, specialty, appliance disposal, and miscellaneous income increased.
- * The Commission's operating expenses were 11.9%, or \$179,402, less in fiscal 2007 than in fiscal 2006.
- * The Commission's net assets increased 1.24%, or \$32,021, from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

The Cherokee County Solid Waste Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Cherokee County Solid Waste Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues and Expenses is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets at the end of fiscal 2007 totaled approximately \$2,615,000. This compares to approximately \$2,583,000 at the end of fiscal 2006. A summary of the Commission's net assets is presented below.

NET ASSETS		
	2007	2006
Current Assets	\$1,735,219	\$1,862,000
Restricted Investments	243,897	235,565
Capital Assets at Cost, Less Accumulated Depreciation	2,341,245	1,677,353
Other Assets	18,421	18,421
TOTAL ASSETS	\$4,338,782	\$3,793,339
Current Liabilities	\$ 591,831	\$ 129,439
Long Term Debt	24,411	36,616
Other Liabilities	1,108,019	1,044,784
TOTAL LIABILITIES	\$1,724,261	\$1,210,839
Net Assets:		
Invested in Capital Assets, Net of Related Debt (Including Contributed Capital of \$820,000)	\$1,862,196	\$1,628,531
Restricted	451,280	466,955
Unrestricted	301,045	487,014
TOTAL NET ASSETS	\$2,614,521	\$2,582,500

The largest portion of the Commission's net assets are invested in capital assets (71%, e.g., land, buildings and equipment), less the related debt portion of net assets, which are resources allocated to capital assets.

A portion of the Commission's net assets (12%) is unrestricted and may be used to meet the Commission's obligations as they come due. The remaining net assets (17%) is restricted for closure and postclosure care, for tonnage fees due to or restricted by the State of Iowa and Board designated funds. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

Statement of Revenues and Expenses

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest income, rental income and rental expenses. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues and expenses for the years ended June 30, 2007 and 2006 is presented below:

REVENUES AND EXPENSES

	<u>YEAR ENDED JUNE 30,</u>	
	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Counties Fees	\$ 465,404	\$ 422,185
Cities Fees	228,684	228,861
Sanitary Services Fees	112,494	103,808
Commercial	57,708	123,531
Wells Blue Bunny	106,311	110,806
Tyson Foods	48,145	54,804
Hy-Vee	6,829	6,520
Individuals	12,356	12,102
Specialty	1,478	74,547
Appliance Disposal	8,338	7,670
Miscellaneous	241	9,715
Sales:		
Cardboard	79,881	55,478
Plastics	46,239	74,864
Metals	13,288	2,836
Aluminum	38,652	39,876
Paper	68,893	41,947
TOTAL OPERATING REVENUES	<u>\$1,294,941</u>	<u>\$1,369,550</u>
OPERATING EXPENSES:		
Salaries	\$ 528,572	\$ 538,728
Payroll Tax Expense	71,494	79,279
Directors and Management Fees	7,781	6,426
Sublet Contract Work	54	46,418
Newspaper Purchased	10,688	9,959
Advertising and Sales Promotion	0	35
Shop Supplies and Expenses	31,092	35,308
Insurance	66,946	70,944
Medical Insurance	104,562	91,953
Vehicles Expense	23,827	21,699
Freight	1,404	2,368
Appliance Disposal Fees	9,720	11,420
Repairs - Building	4,872	4,003
Repairs - Equipment	1,915	12,417
Landfill Dirt Work and Topcoat	1,581	3,300
Rock Expense	5,557	2,268
Landfill Fuel Expense	31,960	41,409
Landfill Expenses	22,698	44,407
Recycling Expense	19,106	14,596
PCB Clinic Expenses	13,816	20,326
Depreciation	185,419	180,613
Utilities	38,919	31,631
Engineering and Testing	13,149	18,206
Iowa Department of Natural Resources		
Tonnage Fees	32,050	45,163
Leachate	15,311	5,401
Office Supplies and Postage	5,053	5,568
Dues and Subscriptions	231	231
Professional Services	17,750	13,223
Meeting, Travel and Entertainment	0	68
Bad Debt Expense	76	82,846
License, Fees and Permits	912	1,271
Closure and Postclosure Care Costs	63,235	67,141
Miscellaneous Expense	1,078	1,605
TOTAL OPERATING EXPENSES	<u>\$1,330,828</u>	<u>\$1,510,230</u>
OPERATING (LOSS)	<u>\$ (35,887)</u>	<u>\$ (140,680)</u>

	YEAR ENDED JUNE 30,	
	2007	2006
NON-OPERATING REVENUES (EXPENSES) :		
Interest Income	\$ 71,110	\$ 55,781
Land and Rental House Income	6,990	7,105
Rental House Repairs	(609)	(1,318)
Rental House Insurance	(425)	(420)
Rental House Depreciation	(1,069)	(1,068)
Rental Land Property Taxes	(1,096)	(1,024)
Interest Expense	(6,993)	0
(Loss) on Sale of Equipment	0	(82)
NET NON-OPERATING REVENUES	<u>\$ 67,908</u>	<u>\$ 58,974</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 32,021</u>	<u>\$ (81,706)</u>

The Statement of Revenues and Expenses reflects a positive year with an increase in the net assets at the end of the fiscal year.

In fiscal 2007, operating revenues decreased by \$74,609, or 5.4%. Operating expenses decreased by \$179,402, or 11.9%. The decrease was primarily a result of a decrease in specialty revenue.

Statement of Changes in Net Assets

A summary of changes in the Net Assets for the years ended June 30, 2007 and 2006 is presented below:

	UNDESIG- NATED UN- RESTRICTED OPERATING FUND	INVESTMENT IN CAPITAL ASSETS	BOARD DESIG- NATED CAPITAL IMPROVE- MENTS/ EQUIPMENT FUND	RESTRICTED		TOTAL
				CLOSURE AND POST- CLOSURE FUND	DNR FEES RETENTION FUND	
Balance-June 30 2005	\$594,642	\$1,660,647	\$ 95,561	\$206,135	\$107,221	\$2,664,206
Increase (Decrease) in Net Assets	(59,612)	(32,116)	2,071	7,430	521	(81,706)
Transfers -						
In	20,000	0	24,000	22,000	22,016	88,016
Out	(68,016)	0	0	0	(20,000)	(88,016)
Balance-June 30, 2006	\$487,014	\$1,628,531	\$121,632	\$235,565	\$109,758	\$2,582,500
Increase (Decrease) in Net Assets	(214,886)	233,665	2,776	9,922	544	32,021
Transfers -						
In	93,590	0	24,000	22,000	18,673	158,263
Out	(64,673)	0	(40,000)	(23,590)	(30,000)	(158,263)
Balance-June 30, 2007	<u>\$301,045</u>	<u>\$1,862,196</u>	<u>\$108,408</u>	<u>\$243,897</u>	<u>\$ 98,975</u>	<u>\$2,614,521</u>

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financial activities includes principal repayments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposit and interest income.

CAPITAL ASSETS

At June 30, 2007, the Commission had approximately \$2,341,000 invested in capital assets, net of accumulated depreciation of approximately \$2,301,000. Depreciation charges totaled \$186,488 for fiscal 2007. More detailed information about the Commission's capital assets is presented in Note 14 to the financial statements.

LONG TERM DEBT AND OTHER LIABILITIES

At June 30, 2007, the Commission had \$1,141,584 in long-term debt and other liabilities outstanding, an increase of \$47,978 from 2006. The table below summarizes outstanding debt and other liabilities by type.

	<u>2007</u>	<u>2006</u>
Note Payable - DNR	\$ <u>33,565</u>	\$ <u>48,822</u>
Landfill Closure and Postclosure Care Cost	\$ <u>1,108,019</u>	\$ <u>1,044,784</u>

Additional information about the Commission's long-term debt and other liabilities is presented in Notes 3 and 13 to the financial statements.

ECONOMIC FACTORS

Cherokee County Solid Waste Commission experienced an increase in its financial position during the current fiscal year. The current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- * Facilities at the Commission require constant maintenance and upkeep.
- * Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- * Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year will be similar to the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues. The Commission is also continuing to monitor the costs for the current landfill expansion and building projects.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cherokee County Solid Waste Commission, 1805 Linden Street, Cherokee, Iowa 51012.

Basic Financial Statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006

	ASSETS	
	<u>2007</u>	<u>2006</u>
CURRENT ASSETS:		
Cash in Bank	\$ 40,174	\$ 89,969
Cash in Bank - Board Designated - Equipment	45,051	60,819
Cash in Bank - DNR Tonnage Fees	98,975	109,758
Certificates of Deposit	1,292,717	1,389,745
Certificate of Deposit - Board Designated - Roof	23,939	22,999
Certificate of Deposit - Board Designated - Equipment	39,418	37,814
Accounts Receivable - Governmental	69,752	55,824
Accounts Receivable - Others	52,951	47,321
Accrued Interest Receivable	7,783	8,926
Prepaid Insurance	58,164	36,889
Prepaid Topcoat Expense	4,579	220
Cafeteria Plan	<u>1,716</u>	<u>1,716</u>
TOTAL CURRENT ASSETS	<u>\$1,735,219</u>	<u>\$1,862,000</u>
RESTRICTED INVESTMENTS:		
Certificates of Deposit - Restricted - Closure and Postclosure Costs	\$ 243,019	\$ 234,667
Accrued Interest Receivable - Restricted	<u>878</u>	<u>898</u>
TOTAL RESTRICTED INVESTMENTS	<u>\$ 243,897</u>	<u>\$ 235,565</u>
CAPITAL ASSETS:		
Land	\$ 424,000	\$ 424,000
Buildings	832,876	821,366
Machinery and Equipment	2,226,212	2,224,442
Office Equipment and Furniture	14,561	20,586
Land Improvements	201,966	201,966
East Landfill	136,184	109,047
New Building - Construction in Progress	<u>806,254</u>	<u>0</u>
	\$4,642,053	\$3,801,407
LESS - Accumulated Depreciation	<u>2,300,808</u>	<u>2,124,054</u>
NET CAPITAL ASSETS	<u>\$2,341,245</u>	<u>\$1,677,353</u>
OTHER ASSETS:		
Investment - PCB Agency	<u>\$ 18,421</u>	<u>\$ 18,421</u>
TOTAL ASSETS	<u>\$4,338,782</u>	<u>\$3,793,339</u>

LIABILITIES AND NET ASSETS		
	<u>2007</u>	<u>2006</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 92,250	\$ 80,041
Payroll Taxes and Garnishments Payable	8,183	9,919
Sales Tax Payable	1,614	1,372
Accrued Salaries and		
Vacations Payable	28,153	25,901
Accrued Interest Payable	6,993	0
Note Payable - Bank	445,484	0
Current Maturities of Long		
Term Debt	<u>9,154</u>	<u>12,206</u>
TOTAL CURRENT LIABILITIES	<u>\$ 591,831</u>	<u>\$ 129,439</u>
LONG TERM DEBT:		
Note Payable - DNR	\$ 33,565	\$ 48,822
LESS - Current Maturities	<u>9,154</u>	<u>12,206</u>
TOTAL LONG TERM DEBT	<u>\$ 24,411</u>	<u>\$ 36,616</u>
OTHER LIABILITIES:		
Landfill Closure and Postclosure		
Care Costs	<u>\$1,108,019</u>	<u>\$1,044,784</u>
TOTAL NONCURRENT LIABILITIES	<u>\$1,132,430</u>	<u>\$1,081,400</u>
TOTAL LIABILITIES	<u>\$1,724,261</u>	<u>\$1,210,839</u>
NET ASSETS:		
Invested in Capital Assets, Net of		
Related Debt (Including Contributed		
Capital of \$820,000)	\$1,862,196	\$1,628,531
Restricted For:		
Tonnage Fees Retained	98,975	109,758
Closure	148,986	142,762
Postclosure Care	94,911	92,803
Board Designated	108,408	121,632
Unrestricted	<u>301,045</u>	<u>487,014</u>
TOTAL NET ASSETS	<u>\$2,614,521</u>	<u>\$2,582,500</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$4,338,782</u>	 <u>\$3,793,339</u>

See accompanying notes to financial statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Counties Fees	\$ 465,404	\$ 422,185
Cities Fees	228,684	228,861
Sanitary Services Fees	112,494	103,808
Commercial	57,708	123,531
Wells Blue Bunny	106,311	110,806
Tyson Foods	48,145	54,804
Hy-Vee	6,829	6,520
Individuals	12,356	12,102
Specialty	1,478	74,547
Appliance Disposal	8,338	7,670
Miscellaneous	241	9,715
Sales:		
Cardboard	79,881	55,478
Plastics	46,239	74,864
Metals	13,288	2,836
Aluminum	38,652	39,876
Paper	<u>68,893</u>	<u>41,947</u>
TOTAL OPERATING REVENUES	<u>\$1,294,941</u>	<u>\$1,369,550</u>
OPERATING EXPENSES:		
Salaries	\$ 528,572	\$ 538,728
Payroll Tax Expense	71,494	79,279
Directors and Management Fees	7,781	6,426
Sublet Contract Work	54	46,418
Newspaper Purchased	10,688	9,959
Advertising and Sales Promotion	0	35
Shop Supplies and Expenses	31,092	35,308
Insurance	66,946	70,944
Medical Insurance	104,562	91,953
Vehicles Expense	23,827	21,699
Freight	1,404	2,368
Appliance Disposal Fees	9,720	11,420
Repairs - Building	4,872	4,003
Repairs - Equipment	1,915	12,417
Landfill Dirt Work and Topcoat	1,581	3,300
Rock Expense	5,557	2,268
Landfill Fuel Expense	31,960	41,409
Landfill Expenses	22,698	44,407
Recycling Expense	19,106	14,596
PCB Clinic Expenses	13,816	20,326
Depreciation	185,419	180,613
Utilities	38,919	31,631
Engineering and Testing	13,149	18,206

CHEROKEE COUNTY SOLID WASTE COMMISSION
 CHEROKEE, IOWA
 STATEMENTS OF REVENUES AND EXPENSES
 FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
OPERATING EXPENSES - CONTINUED:		
Iowa Department of Natural Resources		
Tonnage Fees	\$ 32,050	\$ 45,163
Leachate	15,311	5,401
Office Supplies and Postage	5,053	5,568
Dues and Subscriptions	231	231
Professional Services	17,750	13,223
Meeting, Travel and Entertainment	0	68
Bad Debt Expense	76	82,846
License, Fees and Permits	912	1,271
Closure and Postclosure Care Costs	63,235	67,141
Miscellaneous Expenses	<u>1,078</u>	<u>1,605</u>
TOTAL OPERATING EXPENSES	<u>\$1,330,828</u>	<u>\$1,510,230</u>
OPERATING (LOSS)	<u>\$ (35,887)</u>	<u>\$ (140,680)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest Income	\$ 71,110	\$ 55,781
Land and Rental House Income	6,990	7,105
Rental House Repairs	(609)	(1,318)
Rental House Insurance	(425)	(420)
Rental House Depreciation	(1,069)	(1,068)
Rental Land Property Taxes	(1,096)	(1,024)
Interest Expense	(6,993)	0
(Loss) on Sale of Equipment	<u>0</u>	<u>(82)</u>
NET NON-OPERATING REVENUES	<u>\$ 67,908</u>	<u>\$ 58,974</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 32,021</u>	<u>\$ (81,706)</u>

See accompanying notes to financial statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	UNDESIG- NATED UN- RESTRICTED OPERATING FUND	INVESTMENT IN CAPITAL ASSETS	BOARD DESIG- NATED CAPITAL IMPROVE- MENTS/ EQUIPMENT FUND	RESTRICTED CLOSURE AND POST- CLOSURE FUND	DNR FEES RETENTION FUND	TOTAL
BALANCE - JUNE 30, 2005	\$594,642	\$1,660,647	\$ 95,561	\$206,135	\$107,221	\$2,664,206
Increase (Decrease) in Net Assets	(59,612)	(32,116)	2,071	7,430	521	(81,706)
Transfers -						
In	20,000	0	24,000	22,000	22,016	88,016
Out	(68,016)	0	0	0	(20,000)	(88,016)
BALANCE - JUNE 30, 2006	\$487,014	\$1,628,531	\$121,632	\$235,565	\$109,758	\$2,582,500
Increase (Decrease) in Net Assets	(214,886)	233,665	2,776	9,922	544	32,021
Transfers -						
In	93,590	0	24,000	22,000	18,673	158,263
Out	(64,673)	0	(40,000)	(23,590)	(30,000)	(158,263)
BALANCE - JUNE 30, 2007	<u>\$301,045</u>	<u>\$1,862,196</u>	<u>\$108,408</u>	<u>\$243,897</u>	<u>\$ 98,975</u>	<u>\$2,614,521</u>

See accompanying notes to financial statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
 CHEROKEE, IOWA
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Gate Fees and Assessments	\$1,028,430	\$1,163,954
Cash Received from Recycling Sales	246,953	228,254
Cash Paid To Suppliers for Goods and Services	(567,452)	(598,637)
Cash Paid to Employees for Services	<u>(526,320)</u>	<u>(632,389)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 181,611</u>	<u>\$ 161,182</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds From Bank Loan	\$ 445,484	\$ 0
Principal Repayments	(15,257)	(12,206)
Purchase of Capital Assets	(850,380)	(138,441)
Disposal of Capital Assets	0	1,000
Proceeds From Rental of Property and Equipment - Net of Expenses	<u>3,791</u>	<u>3,275</u>
NET CASH (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (416,362)</u>	<u>\$ (146,372)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	<u>\$ 72,273</u>	<u>\$ 51,229</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (162,478)	\$ 66,039
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,945,771</u>	<u>1,879,732</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$1,783,293</u>	<u>\$1,945,771</u>

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating (Loss)	\$ (35,887)	\$ (140,680)
Adjustments to Reconcile Operating (Loss) Income to Net Cash Provided by Operating Activities:		
Depreciation	\$ 186,488	\$ 181,681
Closure and Postclosure Costs	63,235	67,141
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(19,558)	22,658
(Increase) Decrease in Prepaid Insurance	(21,275)	13,600
(Increase) Decrease in Prepaid Topcoat Expense	(4,359)	3,300
(Increase) in Cafeteria Plan	0	(845)
Decrease in Due From Individual	0	2,007
Increase in Accounts Payable	12,209	27,239
Increase (Decrease) in Payroll Taxes and Garnishments Payable	(1,736)	3,519
Increase (Decrease) in Sales Tax Payable	242	(537)
Increase (Decrease) in Accrued Salaries and Vacations Payable	2,252	(17,901)
TOTAL ADJUSTMENTS	<u>\$ 217,498</u>	<u>\$ 301,862</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 181,611</u>	<u>\$ 161,182</u>
COMPONENTS OF CASH - END OF YEAR:		
Cash in Bank	\$ 40,174	\$ 89,969
Cash in Bank - Board Designated - Equipment	45,051	60,819
Cash in Bank - DNR Tonnage Fees	98,975	109,758
Certificates of Deposit	1,292,717	1,389,745
Certificate of Deposit - Board Designated - Roof	23,939	22,999
Certificate of Deposit - Board Designated - Equipment	39,418	37,814
Certificates of Deposit - Restricted - Closure and Postclosure Costs	243,019	234,667
	<u>\$1,783,293</u>	<u>\$1,945,771</u>
SCHEDULE OF NONCASH CAPITAL FINANCING TRANSACTIONS:		
Acquisition of Property and Equipment:		
Cost of Property and Equipment, Net of Trade-In	\$ 845,963	\$ 134,172
Loss on Trade-In	4,417	4,269
CASH DOWN PAYMENT FOR PROPERTY AND EQUIPMENT	<u>\$ 850,380</u>	<u>\$ 138,441</u>

See accompanying notes to financial statements

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Cherokee County Solid Waste Commission owns and operates a sanitary solid waste landfill site and separation center in Cherokee County, Iowa. The Commission is a proprietary fund type 28E organization and was established to provide for the economic collection and disposal of all solid waste produced or generated within each member Municipality and to cooperate in preventing the contamination of our natural resources. The Commission is composed of one representative from each of the eight member cities and one representative from Cherokee County. Members of the Commission are the County of Cherokee, the Cities of Cherokee, Aurelia, Quimby, Washta, Marcus, Cleghorn, Meriden, and Larrabee.

The Separation Center was started in October of 1989 to recycle solid waste materials.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY - For financial reporting purposes, the Cherokee County Solid Waste Commission has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. JOINTLY GOVERNED ORGANIZATION - The Commission also participates in a jointly governed organization, PCB Solid Waste Agency, whose purpose is to provide leadership in developing and preparing a joint comprehensive Solid Waste Management Plan and to assist in facilitating the disposal of any type of solid waste within the geographic area of the Agency.

Plymouth, Cherokee and Buena Vista landfills are members of PCB Solid Waste Agency.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

B. JOINTLY GOVERNED ORGANIZATION - Continued:

The Agency does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating Commissions.

C. BASIS OF PRESENTATION - The accounts of the Cherokee County Solid Waste Commission are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - The financial statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

E. ASSETS, LIABILITIES AND NET INVESTMENTS - The following accounting policies are followed in preparing the Statement of Net Assets:

CASH, INVESTMENTS AND CASH EQUIVALENTS - The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. The Commission did not have any short-term investments during the years ended June 30, 2007 and 2006.

RESTRICTED ASSETS - Funds set aside for payment of closure and postclosure care costs are classified as restricted.

CAPITAL ASSETS - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reported capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>ASSET CLASS</u>	<u>AMOUNT</u>
Building and Improvements	\$ 1,000
Equipment and Vehicles	\$ 1,000

Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

<u>ASSET CLASS</u>	<u>ESTIMATED USEFUL LIVES (IN YEARS)</u>
Buildings	39
Building Improvements	7-20
Equipment and Vehicles	5-15

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

E. ASSETS, LIABILITIES AND NET INVESTMENTS - CONTINUED:

CAPITAL ASSETS - CONTINUED:

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2007 and 2006.

COMPENSATED ABSENCES - Commission employees accumulate a limited amount of earned but unused vacation and personal leave hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated vacation and personal leave has been computed based on rates of pay in effect at June 30, 2007 and 2006.

ACCOUNTS RECEIVABLE - Bad debts are provided on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable at the end of the fiscal year. The allowance for doubtful accounts at June 30, 2007 and 2006 was \$ -0- and \$ -0-, respectively.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS:

The Commission's deposits in banks at June 30, 2007 and 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission's deposits on June 30, 2006 at North Star Community Credit Union exceeded \$100,000, which is the amount insured by NCUA.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 2 - CASH AND INVESTMENTS - CONTINUED:

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvements certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Auditing Standard Board Statement No. 3, as amended by Statement No. 40.

NOTE 3 - LONG TERM DEBT:

Note payable consists of the following:

	<u>2007</u>	<u>2006</u>
Note payable to the Iowa DNR with no interest. Principal payments of \$3,051 are due quarterly through April 15, 2010 with the first payment due July 15, 2005. The note is for a new front end sorter in the recycling center and is financed by the Solid Waste Alternatives Program (SWAP).	\$ 33,565	\$ 48,822
LESS - Current Maturities	<u>9,154</u>	<u>12,206</u>
LONG TERM PORTION	<u>\$ 24,411</u>	<u>\$ 36,616</u>

The following is a schedule of future payments to be made concerning long term debt at June 30, 2007

YEAR ENDED JUNE 30,	AMOUNT
2008	\$ 9,154
2009	12,206
2010	<u>12,205</u>
TOTAL FUTURE MINIMUM PAYMENTS	<u>\$ 33,565</u>

In March 2007, the Commission was approved for 2 loans from the DNR. One loan is for \$150,000 at 0% and the second loan is for \$150,000 at 3%. As of June 30, 2007 no advances have been made on the loans.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 4 - NOTE PAYABLE - BANK:

This short term note dated March 12, 2007 for \$750,000 is due July 12, 2007. The interest rate is 7.75% and it is secured by various bank accounts and certificates of deposit. The outstanding balance at June 30, 2007 is \$445,484.

NOTE 5 - CONTRIBUTED CAPITAL:

Contributed capital on June 30, 2007 and 2006 consists of:

	<u>2007</u>	<u>2006</u>
DNR Grant	\$375,000	\$375,000
In Kind Contribution From Lundell Manufacturing	<u>445,000</u>	<u>445,000</u>
	<u>\$820,000</u>	<u>\$820,000</u>

NOTE 6 - RENT INCOME:

The Commission has a short term operating lease on the house at the landfill site with an employee.

The Commission has an operating lease on 38 acres of land with unrelated parties. The lease agreement is for \$105 per acre. The acres may vary as the landfill uses the land. One-half of the payment is to be received on or before March 1st and the second half is due on or before November 1st. The lease agreement expires March 1, 2008. The total parcel of 80 acres of land has a book cost of \$280,000.

Land and rental house income resulted in income of \$6,990 and \$7,105 for the years ended June 30, 2007 and 2006, respectively.

The future minimum rental on the 38 acres of land is as follows:

YEAR ENDED <u>JUNE 30,</u>	<u>AMOUNT</u>
2008	<u>\$ 3,990</u>

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 7 - PENSION AND RETIREMENT BENEFITS:

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Commission is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, and 2005. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005, were \$29,354, \$31,354, and \$27,703, respectively, equal to the required contributions for each year.

NOTE 8 - MAJOR CUSTOMER AND ECONOMIC DEPENDENCY:

Plymouth County Solid Waste Agency is a major customer of the Cherokee County Solid Waste Commission. Revenues from Plymouth County Solid Waste Agency accounted for \$300,159 of total revenues of \$1,294,941 (23%) for the fiscal year ended June 30, 2007, and \$315,824 of total revenues of \$1,369,550 (23%) for the fiscal year ended June 30, 2006. The current contract expired June 30, 2007. A new 10 year contract was signed which is in effect from July 1, 2007 to July 1, 2017.

NOTE 9 - RISK MANAGEMENT:

Cherokee County Solid Waste Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 9 - RISK MANAGEMENT - CONTINUED:

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Cherokee County Solid Waste Commission's property and casualty contributions to the risk pool are recorded as expenses from its operating fund at the time of payment to the risk pool. The Cherokee County Solid Waste Commission's annual contributions to the Pool for the years ended June 30, 2007 and 2006 were \$26,320 and \$25,286, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 9 - RISK MANAGEMENT - CONTINUED:

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Commission does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the Commission's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation, employee blanket bond, and a rental house. The Commission assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 10- CASH IN BANK - BOARD DESIGNATED:

The Commission has designated \$2,000 and \$2,000 per month as of June 30, 2007 and 2006, respectively to be deposited in a savings account and a certificate of deposit to be used for equipment purchases. The Board has designated a certificate of deposit as the roof replacement account. This was insurance proceeds received due to hail damage on the building's roof during the fiscal year ended June 30, 1995.

	<u>2007</u>	<u>2006</u>
Balance - Beginning of Period	\$121,632	\$ 95,561
Add - Transfers From Operating Account	24,000	24,000
- Interest Income	<u>2,776</u>	<u>2,071</u>
TOTAL	\$148,408	\$121,632
Less - Transfer To Operating Account	<u>40,000</u>	<u>0</u>
Balance - End of Period	<u>\$108,408</u>	<u>\$121,632</u>

NOTE 11- SOLID WASTE TONNAGE FEES RETAINED:

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2007 and 2006, the unspent amounts retained by the Commission and restricted for the required purposes totaled \$98,975 and \$109,758, respectively.

NOTE 12- RELATED PARTY TRANSACTIONS:

The Commission's related party transactions consisted of the following:

1. The Commission's vehicle maintenance and repairs were performed by a shop co-owned by the manager's son. These repairs totaled \$6,267 and \$2,407 for the years ended June 30, 2007 and 2006, respectively.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 12- RELATED PARTY TRANSACTIONS - CONTINUED:

2. The Commission had accounts receivables from the Commission's attorney of \$17 and \$-0- at June 30, 2007 and 2006, respectively.
3. The Commission had various construction work and repairs done by the assistant manager's brother totaling \$1,320 and \$-0- for the years ended June 30, 2007 and 2006, respectively.
4. As stated in Note 6, the Commission has a short term operating lease on the house at the landfill site to an employee.
5. The Commission purchased lumber/supplies from an auction company that the manager works with totaling \$-0- and \$143 for the years ended June 30, 2007 and 2006, respectively.
6. The Commission's front end sorter maintenance and repairs were performed by an employee of the Commission. Payments were not included in payroll. These repairs totaled \$-0- and \$2,905 for the years ended June 30, 2007 and 2006, respectively.

NOTE 13- CLOSURE AND POSTCLOSURE CARE COSTS:

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 13- CLOSURE AND POSTCLOSURE CARE COSTS - CONTINUED:

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

During the fiscal year ended June 30, 1999 it was determined that the Commission could use additional vertical expansion to increase the capacity and life of the currently used portion of the landfill.

June 30, 2007:

These costs for the Cherokee County Solid Waste Commission have been estimated at \$139,682 for closure and \$1,044,578 for postclosure, for a total of \$1,184,260 as of June 30, 2007, and the portion of the liability that has been recognized is \$1,108,019. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2007. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 2 years and the capacity used at June 30, 2007 is 94 percent.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2007, assets of \$243,897 are restricted for these purposes, of which \$148,986 is for closure and \$94,911 is for postclosure care. They are reported as restricted investments on the Statements of Net Assets.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 13- CLOSURE AND POSTCLOSURE CARE COSTS - CONTINUED:

June 30, 2006:

These costs for the Cherokee County Solid Waste Commission have been estimated at \$136,117 for closure and \$1,019,073 for postclosure, for a total of \$1,155,190 as of June 30, 2006, and the portion of the liability that has been recognized is \$1,044,784. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2006. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 3 years and the capacity used at June 30, 2006 is 90 percent.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2006, assets of \$235,565 are restricted for these purposes, of which \$142,762 is for closure and \$92,803 is for postclosure care. They are reported as restricted investments and restricted net assets on the Statements of Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund mechanism. The Commission obtained a local government guaranty from Cherokee County on June 10, 1997 for the purpose of financing the postclosure costs of the landfill.

On April 14, 2006 the Commission received a letter from the DNR. A horizontal expansion of the landfill was approved and annual deposits may be made using the actual permitted capacity that is available.

Chapter 567-111.8(7) of the IAC allows the Commission to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 14- CAPITAL ASSETS:

A summary of capital assets at June 30, 2007 and 2006 is as follows:

	<u>2007</u>			
	<u>BALANCE BEGINNING OF YEAR</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>BALANCE END OF YEAR</u>
Capital Assets Not Being Depreciated:				
Land	\$ 424,000	\$ 0	\$ 0	\$ 424,000
East Landfill	80,588	27,137	0	107,725
New Building-Construction in Progress	0	806,254	0	806,254
TOTAL CAPITAL ASSETS NOT DEPRECIATED	<u>\$ 504,588</u>	<u>\$ 833,391</u>	<u>\$ 0</u>	<u>\$1,337,979</u>
Capital Assets Being Depreciated:				
Buildings	\$ 821,366	\$ 11,510	\$ 0	\$ 832,876
Machinery and Equipment	2,224,442	27,736	(25,967)	2,226,211
Office Equipment and Furniture	20,586	0	(6,024)	14,562
Land Improvements	201,966	0	0	201,966
East Landfill	28,459	0	0	28,459
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>\$3,296,819</u>	<u>\$ 39,246</u>	<u>\$ (31,991)</u>	<u>\$3,304,074</u>
Less Accumulated Depreciation For:				
Buildings	\$ 376,842	\$ 26,147	\$ 0	\$ 402,989
Machinery and Equipment	1,658,247	151,594	(3,710)	1,806,131
Office Equipment and Furniture	18,459	483	(6,024)	12,918
Land Improvements	66,711	6,367	0	73,078
East Landfill	3,795	1,897	0	5,692
TOTAL ACCUMULATED DEPRECIATION	<u>\$2,124,054</u>	<u>\$ 186,488</u>	<u>\$ (9,734)</u>	<u>\$2,300,808</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>\$1,172,765</u>	<u>\$ (147,242)</u>	<u>\$ (22,257)</u>	<u>\$1,003,266</u>
TOTAL CAPITAL ASSETS, NET	<u>\$1,677,353</u>	<u>\$ 686,149</u>	<u>\$ (22,257)</u>	<u>\$2,341,245</u>

CHEROKEE COUNTY SOLID WASTE COMMISSION
CHEROKEE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 14- CAPITAL ASSETS - Continued:

	<u>2006</u>			
	<u>BALANCE BEGINNING OF YEAR</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>BALANCE END OF YEAR</u>
Capital Assets Not Being Depreciated:				
Land	\$ 424,000	\$ 0	\$ 0	\$ 424,000
East Landfill	64,510	16,078	0	80,588
TOTAL CAPITAL ASSETS NOT DEPRECIATED	<u>\$ 488,510</u>	<u>\$ 16,078</u>	<u>\$ 0</u>	<u>\$ 504,588</u>
Capital Assets Being Depreciated:				
Buildings	\$ 821,366	\$ 0	\$ 0	\$ 821,366
Machinery and Equipment	2,116,932	138,628	(31,118)	2,224,442
Office Equipment and Furniture	19,087	1,499	0	20,586
Land Improvements	201,966	0	0	201,966
East Landfill	28,459	0	0	28,459
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>\$3,187,810</u>	<u>\$ 140,127</u>	<u>\$ (31,118)</u>	<u>\$3,296,819</u>
Less Accumulated Depreciation For:				
Buildings	\$ 350,413	\$ 26,429	\$ 0	\$ 376,842
Machinery and Equipment	1,524,079	146,440	(12,272)	1,658,247
Office Equipment and Furniture	17,911	548	0	18,459
Land Improvements	60,345	6,366	0	66,711
East Landfill	1,897	1,898	0	3,795
TOTAL ACCUMULATED DEPRECIATION	<u>\$1,954,645</u>	<u>\$ 181,681</u>	<u>\$ (12,272)</u>	<u>\$2,124,054</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>\$1,233,165</u>	<u>\$ (41,554)</u>	<u>\$ (18,846)</u>	<u>\$1,172,765</u>
TOTAL CAPITAL ASSETS, NET	<u>\$1,721,675</u>	<u>\$ (25,476)</u>	<u>\$ (18,846)</u>	<u>\$1,677,353</u>

NOTE 15- COMMITMENTS - CONSTRUCTION IN PROGRESS:

The Commission has entered into various contracts at June 30, 2007 for construction and expansion at the landfill:

New Building for Pellet Production - Balance of Building Contract	\$ 412,612
Horizontal Expansion of Landfill - Construction Contract	\$ 617,558

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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To the Members of
Cherokee County Solid Waste Commission

We have audited the accompanying financial statements of Cherokee County Solid Waste Commission, as of and for the year ended June 30, 2007, and have issued our report thereon dated September 24, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cherokee County Solid Waste Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Cherokee County Solid Waste Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cherokee County Solid Waste Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Cherokee County Solid Waste Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Cherokee County Solid Waste Commission's that is more than inconsequential will not be prevented or detected by Cherokee County Solid Waste Commission's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Cherokee County Solid Waste Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A), (B), (C), (D), (E), (F), (G), and (H) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cherokee County Solid Waste Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Cherokee County Solid Waste Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit Cherokee County Solid Waste Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Cherokee County Solid Waste Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cherokee County Solid Waste Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURKHARDT & DAWSON, CPA's

Certified Public Accountants

September 24, 2007

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties - An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that sometimes only one person has control over each of the following areas for the Commission:

1. Accounting System - record keeping for revenues and expenses, and related reporting.
2. Receipts - collecting, depositing, journalizing and posting.
3. Bank Reconciliation - preparation and maintenance of accounting records.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Landfill should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will try to delegate tasks appropriately so all staff has an understanding of each and every aspect of the accounting duties.

Conclusion - Response accepted.

- (B) Capitalization Policy - The Commission has adopted a \$1,000 capitalization policy for property and equipment additions. Items purchased during the year were not correctly coded to the appropriate asset or expense account.

Recommendation - Property and equipment additions costing \$1,000 and above should be coded to the correct asset account. Property and equipment purchases costing below the \$1,000 capitalization policy should be coded to the correct expense account.

Response - We will take more time deciding if it is to be properly coded to an asset account or to an expense account.

Conclusion - Response accepted.

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

- (C) Management Vacation - We noted the allowed vacation accrual limit for a management employee has been exceeded.

Recommendation - The Board should discuss and document the status of unused vacation which exceeds the accrual limit.

Response - Management employees will discuss this issue with the Board and have them consider their policy regarding vacation accrual.

Conclusion - Response accepted.

- (D) Garnishments Reconciliation - The garnishment payable account was not reconciled during the year.

Recommendation - The garnishment payable account must be reconciled on a monthly basis. Garnishments should be paid after each payroll, so the account balance is zero.

Response - Garnishments will be paid after each payroll so the account balance is zero each month.

Conclusion - Response accepted.

- (E) Payroll - The assistant manager was paid for part of the accumulated vacation and personal time off by issuing extra payroll checks. This would exceed the annual salary approved by the board by \$2,261.

Recommendation - The Board needs to discuss whether they want to establish a policy allowing salaried personnel to be paid for accumulated vacation and personal time off since this exceeds the annual approved salary.

Response - Management employees will discuss this issue with the Board to see if they want to establish a policy.

Conclusion - Response accepted.

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

- (F) Board Designated Account Transfers - A \$40,000 transfer from the equipment savings account was done in October, but no approval was noted in the board minutes.

Recommendation - Transfers from board designated funds should be approved by the board and documented in the minutes.

Response - We will get Board approval before doing any transferring of money from board designated savings accounts.

Conclusion - Response accepted.

- (G) Bank Accounts - The savings accounts for the DNR and equipment funds are earning .5% interest.

Recommendation - These balances should be invested in money market accounts or certificates of deposit to increase your interest income.

Response - On September 20, 2007, the savings accounts for these accounts were switched to money market accounts which had current rates of 3.72% to 4.72% depending on the balance in the account.

Conclusion - Response accepted.

- (H) Landfill Tonnage Report - The engineer prepared a landfill capacity used and remaining report dated August 16, 2007. You provided the engineer with new information and a revised landfill used and remaining report dated August 27, 2007 was used. The original report prepared on August 16, 2007 agrees to the DNR quarterly reports filed during fiscal year ended June 30, 2007.

Recommendation - You should contact the engineer and communicate to them that the original numbers you provided were correct.

Response - We have contacted our engineer.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Other Findings Related to Statutory Reporting:

- (1) Questionable Expenses - No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense - No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Commission Minutes - No transactions were found that we believe should have been approved in the Commission minutes but were not.

Per 28E.6 of the Code of Iowa states minutes should be provided to the newspaper within one week following the meeting so they can be published. The publication should include a schedule of bills. Annual salaries are also required to be published.

When a low bidder is accepted the amount is not always listed in the minutes.

Recommendation - Minutes and salaries should be published to comply with 28E.6 of the Code of Iowa. The name and amount of the low bidder should be listed in the minutes.

Response - The Board will address publishing to comply with 28E.6 of the Code of Iowa.

Conclusion - Response accepted.

- (4) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Commission's investment policy were noted except as follows:

The Commission's had deposits at a credit union during the year that exceeded \$100,000, which is the amount insured by NCUA. The accounts were closed during the year ending June 30, 2007.

- (5) Solid Waste Tonnage Fees Retainage - During the year ended June 30, 2007, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.

CHEROKEE COUNTY SOLID WASTE COMMISSION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

- (6) Financial Assurance - The Commission has demonstrated financial assurance for closure and postclosure care costs as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

	<u>CLOSURE</u>	<u>POSTCLOSURE</u>
Total estimated costs for closure and postclosure care	\$139,682	\$1,044,578
Less: Balance of funds held in the local dedicated fund at June 30, 2007	<u>142,762</u>	<u>92,803</u>
	<u>\$ (3,080)</u>	<u>\$ 951,775</u>
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2007	<u>\$148,986</u>	<u>\$ 94,911</u>

The closure care account is fully funded at June 20, 2007.

The local government guaranty was used in prior years for the Commission to demonstrate financial assurance for postclosure care costs. The Commission obtained the local government guaranty from Cherokee County on June 10, 1997.

On April 14, 2006 the Commission received a letter from the DNR. A horizontal expansion of the landfill was approved and annual deposits may be made using the actual permitted capacity that is available.

The balance required by the DNR in the postclosure account for the year ended June 30, 2007 is \$102,043 (\$20,602 x 3 + \$18,727 + \$21,510).

This is required to be funded no later than 30 days after June 30, 2007.

The required balance was under funded because a certificate of deposit designated for postclosure costs was cashed in by mistake during fiscal year ended June 30, 2007. A replacement certificate of deposit was purchased immediately on September 20, 2007 when this error was noted during the audit.

- (7) Contract Bids - Per the minutes, a contract was awarded August 10, 2006 to Kuehl & Payer for \$74,500 for building engineering services. Sections 26.14 and 314.1B of the Code of Iowa require obtaining competitive quotes since the project exceeded \$40,000. No competitive bidding was noted in the minutes.

Recommendation - Competitive quotes for projects over \$40,000 should be obtained and documented in the minutes to comply with Sections 26.14 and 314.1B of the Code of Iowa.

Response - We will document in the minutes to comply with the Code of Iowa.

Conclusion - Response accepted.